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September 19, 2007

Ms. Mary Levine, Acting General Counsel/Director of Legal Affairs
Michigan State Housing Development Authority
735 E. Michigan Avenue
P. O. Box 30044
Lansing, MI 48909

Dear Ms. Levine:

As the largest affordable housing provider in the City of Detroit and the largest Public Housing Commission in the State of Michigan, the Detroit Housing Commission (DHC) appreciates the opportunity to provide comments on the Draft Qualified Allocation Plan (QAP) released by the Michigan State Housing Development Authority (MSHDA). As a federally funded agency that also struggles with demands that outweigh available resources, DHC fully appreciates the effort it takes to accomplish the substantial revisions that this draft document contains. This letter provides several recommendations that reflect our concern for the thousands of very low and low income families that DHC endeavors to serve through our programs, and that will improve our ability to serve and satisfy our many different constituents and stakeholders.

DHC operates over 8,500 units of affordable housing in the City of Detroit. Much of DHC's housing stock is very old and in need of substantial repair or redevelopment. Since DHC received its first HUD HOPE VI grant for redeveloping public housing, DHC has been very involved in redeveloping its old public housing sites by combining low income housing tax credits (LIHTCs), HOPE VI funds, private loans and other sources as part of what is known as the mixed-finance approach to redeveloping public housing. To date, DHC, through its development partners, has redeveloped two large public housing sites with this mixed-finance approach, yielding over 900 new or rehabilitated units. Currently, DHC has a number of redevelopment projects in various stages of implementation that will yield over 1,500 units and these developments

contemplate LIHTCs as one of the major funding sources. In this era of diminished federal funding for redevelopment of public housing, the ability of DHC to successfully maintain and develop housing for a significant number of low income families in Detroit depends in large part on the availability of LIHTCs as part of the funding scheme.

There are many changes to the 2008-2009 QAP some of which DHC considers positive modifications, while others trigger additional questions and concerns. These recommendations summarize our concerns.

- Given DHC's aggressive construction schedule, we are very pleased to see that MSHDA has eliminated the lottery previously employed for determining the order of funding eligible projects. In more than one instance, we have seen projects that score extremely high eliminated from funding simply because of a poor position in the lottery. We agree it is much more equitable to use tangible, measurable factors for selecting projects that further MSHDA's mission of assisting the development of affordable housing that serves the lowest income households in underserved areas for the longest periods of time.
- Funding Round Schedule (page 9)
 - DHC recommends that MSHDA consider not holding a funding round this fall under the new QAP. Instead, we recommend the credits planned for the Fall 2007 round be allocated to the qualified applicants who were denied funding in the last round because they did not do well in the lottery.
- Statutory Set-Asides and QAP Holdback—DHHP (page 12)
 - While DHC fully endorses the Next Detroit Neighborhood Initiative, we recommend additional language in this large percentage allocation that would include other areas in the City which have a City approved redevelopment plan or where City or federal dollars have been committed to implement a redevelopment plan. This change would allow federal grants such as HOPE VI to be leveraged with tax credit funding to create more units serving the lowest income residents. The letter required by the City's Chief Elected Officer referred to in the draft QAP could be the mechanism used to verify a City approved redevelopment plan while the federal agency providing the federal funds could provide a letter verifying the commitment of federal dollars. By not including these types of

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- worthy projects in this 40% allocation of the DHHP holdback, it becomes very possible that the federal funding time limits will not be met, and the grant funds recaptured without providing any affordable housing units. Additionally, including a criteria which states “where federal dollars have been committed” will increase the level of economic development in distressed communities since funding can make otherwise infeasible housing developments feasible and strengthen the financial stability of housing developments in distressed areas.
 - With respect to the nonprofit community development corporation/qualified housing commission set aside that falls within the DHHP holdback, we appreciate the higher annual per project credit limit established for this set-aside (\$750,000), but if a project is allocated the maximum credits, it means, for all intents and purposes, that only one project per funding round will receive an allocation under this set-aside. The nonprofit community development corporation/qualified housing commission set-aside should be increased to at least 30% of the total DHHP holdback, which would allow at least two projects per funding round to be awarded credits under this set-aside.
 - In addition, further clarification needs to be provided related to the “qualified housing commission” element of this set-aside. What is meant by “qualified”? We would recommend that the definition be clarified to include any housing commission established under State law and recognized by HUD as a public housing authority, in accordance with the U.S. Housing Act of 1937, as amended.
 - With respect to the requisite involvement of the housing commission in order to qualify under this set-aside, it is important for MSHDA to define the requirements broadly enough so that if the project is either on housing commission land or supported, in some meaningful way by federal funds administered by a housing commission that the project qualifies under this set-aside. A project being developed by a private developer on behalf of a housing commission should have eligibility under this Holdback sub-category. We recommend the language be modified to say, “this Holdback shall be allocated to nonprofit Community Development Corporations, qualified housing commissions, or private developers on behalf of a qualified housing commission...”. Under the mixed finance approach, mechanisms are in place between housing

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- commissions and developers, such as regulatory agreements, loan agreements and restrictive covenants, to ensure owners' compliance with the applicable Federal, State and local requirements.
 - Supportive Housing/Housing for Persons with Special Needs (p. 13)
 - Consideration within this Holdback should be given to the "working poor" who pay more than 40% of their income for housing or live in substandard housing. All too often, a "working poor" family becomes a special needs family because of lack of safe, decent, affordable housing. We suggest this Holdback be modified to address this very worthy group in an attempt to reduce the number of families who are on the bubble between poorly housed and homeless.
 - Affordable Assisted Living (p. 14)
 - The funds remaining from the other Holdbacks for this category equate to approximately 5% of the funding available. Trends indicate there will be a greater need for **affordable** assisted living options and statistics throughout the state reveal higher than acceptable vacancy rates at "projects for the elderly"--yet the QAP continues to provide a set aside of not less than 10% for the development of this housing in already saturated markets. DHC recommends more consideration be given to affordable assisted living options under this set aside.
 - Eligibility Requirements (page 14)
 - In the tie breaking system, it is recommended that the following language be added as a first priority: "First priority will be given to a project that can demonstrate committed, leveraged Federal dollars."
 - DHC also has concerns with the third priority that proposes to use "lowest construction costs" as the tiebreaker. This preference could adversely impact projects in higher cost areas and those that have mandated design requirements. An emphasis on lower construction costs could also affect the amenities and construction quality of proposed projects.

- Threshold Requirements

- #1 (page 15): This QAP focuses extensively on Special Needs and Supportive Housing projects including a designated Holdback and allocations within the other Holdbacks. To require 10% of all units in any given project, not already in the Special Needs/Supportive Housing Holdback or allocation, be given leasing priority for Supportive Housing Tenants has many ramifications. This mandate will require a developer and the management partner to hire special needs providers, which may impact feasibility of the project. There is limited funding to provide services for the special needs populations and it is difficult to secure. When it is secured, it can be difficult to manage such funds for a limited number of households. DHC recommends the requirements for Special Needs and Supportive Housing projects remain only within that Holdback and the specified allocations within the Holdbacks.
- #21 (page 18): DHC supports a written statement by the applicant giving priority to persons whose names are on appropriate Public Housing or Housing Choice Voucher waiting lists maintained by a Housing Commission and the efforts they will make to secure these names, but we do not believe a statement alone is adequate to insure this outcome occurs. If the goal of this requirement is to create more housing opportunities to individuals/families at the lowest income targets that are on public housing waiting lists, then some type of referral agreement between project applicants and housing commissions would increase the likelihood of success of such an approach.

- Evaluation Criteria

- Will “technical errors” be defined in the QAP? What will be the process if there is a dispute between the applicant and MSHDA as to what constitutes a technical error?
- The QAP proposes awarding additional points to projects serving the lowest income tenants for the longest period of time (page 21). DHC also recommends that language be added to award additional points to projects that have secured other federal funding that will be used to leverage the LIHTC dollars.

- Policy Bulletins and Scoring Summary

- The QAP references the selection criteria and preference points in the scoring summary sheet that is part of the Combined Application, but the Combined Application was not available for review during the comment period. Evaluating the materials together would have been beneficial to those commenting on the QAP. We look forward to reviewing this additional information and providing comments when the documents are available.

Again, we appreciate the opportunity to be part of this process. Thank you for your continued support and commitment to meeting the needs of Detroit's low-income families. Please feel free to contact us with questions.

Sincerely,

A handwritten signature in cursive script, reading "Lindsey S. Reames".

Lindsey S. Reames
HUD Recovery Administrator